

MR. CORMACK,

On Saturday I received the attached LDX on "Versailles Summit", I remember you saying something about a meeting on it so I asked the EXDIR if I should notify someone about it, he said yes, have the ops center advise Harry Rowen. I did this at 0935 Saturday the 27th. 25X1



NSC Review Completed as Redacted.

CONTROL NO.

82-2492

CROSS REF:

PRIOR PAPERS ON THIS SUBJECT: NO YES

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Executive Secretary
3/29/82
Date

NATIONAL SECURITY COUNCIL

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MEMORANDUM FOR THE SITUATION ROOM.

FROM: KATHY MCGRAW

SUBJECT: LDXing

Please LDX the attached page(s) to the following:

B Bremer, 632-2540, 7th Floor, State
K-I Pickford, 566-2269, Rm 3408, Main Treasury
D Meehan, 697-3133, Rm 3E-854, Pentagon
H Vitale, 252-5230. Rm 7A185, Energy
A Cormack [redacted] CIA Headquarters
D Stebbins, 697-9121, Rm 2E-872, Pentagon
B Tillman, 632-8647, Rm 6333, State.

STAT

Would like a come-back copy, too.

Thanks much.

→ And Pagano
632-1800
B Rm 5945, State

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Cormack

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WASHINGTON, D.C. 20508

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82-24922

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March 26, 1982

MEMORANDUM FOR:

Nancy Bearg Dyke
Assistant to the Vice President
for National Security Affairs

Thomas B. Cormack
Executive Secretary
Central Intelligence Agency

L. Paul Bremer III
Executive Secretary
Department of State

Jacqueline Tillman
Executive Assistant to the
United States Representative
to the United Nations

David Pickford
Executive Secretary
Department of the Treasury

Dennis Whitfield
Executive Assistant to the United
States Trade Representative

Lt Col Robert P. Meehan
Assistant for Interagency Matters
Office of the Secretary of Defense

James B. Burnham
Executive Assistant to the
Chairman, CEA

Raymond Lett
Executive Assistant to the Secretary
Department of Agriculture

Col Charles F. Stebbins
Executive Assistant to the
Chairman, Joint Chiefs of Staff

Jean Jones
Director, Executive Secretariat
Department of Commerce

Gerald Pagano
Executive Secretary
AID

William V. Vitale
Director, Office of the
Executive Secretariat
Department of Energy

SUBJECT: Versailles Summit (C)

A National Security Council meeting has been scheduled for Tuesday, March 30, 1982, 2:00-2:45 p.m., The Cabinet Room, to review and approve US papers being submitted as part of the preparatory process for the Versailles Economic Summit. Three papers are involved:

1. East-West Economic Relations - The only paper for which the US is principal drafter to be presented to the Personal Representatives of the other Summit countries.
2. Energy Security Paper - A paper to be provided as input to the Personal Representatives of the European Commission, which is the principal drafter of the Summit background paper on energy.

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3. Relations With Developing Countries - A paper to be provided as input to Italy, the principal drafter of the Summit background paper on North-South issues.

I have attached the paper on relations with developing countries. The other papers will be circulated as soon as they are available.

Michael O. Wheeler

Michael O. Wheeler
Staff Secretary

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VERSAILLES SUMMIT PAPER - SUMMARY**Relations with Developing Countries**

In preparing for the Versailles summit, we must build on the new plateau of understanding achieved prior to the Ottawa summit and take into account new circumstances. One of last year's conclusions was that our efforts to promote growth and price stability complement our direct contributions to development. Since Ottawa, there has been a rethinking of economic cooperation for development. The governments of developing countries appear to be more serious and to be recognizing that aid and systemic reform are not panaceas, that their domestic resources, efforts, and policies are the most important determinates of development, and that the private sector has a role to play. They also appear to have a more realistic attitude toward the results of multilateral economic consultations and negotiations. Examples include meetings on Economic Cooperation Among Developing Countries (ECDC) and the Cancun summit. There was a brief but productive exchange of views at Cancun at the highest political level on food, trade, energy, and finance.

It is more important for Versailles to foster this new pragmatism and to ensure that the "spirit" of Cancun becomes the norm wherever consultations and negotiations take place than to give credence to the proposition that many problems would be solved through "global negotiations". Work continues to go forward in many specialized fora of the UN system and elsewhere. In the UN General Assembly, summit countries have fulfilled their Cancun promise to support "with a sense of urgency" a consensus to launch global negotiations. In preparation for Versailles, we should ask ourselves if there are other fora which would be appropriate for increased consultations and cooperation with developing countries. We probably need to bring some developing countries into a wider system of consultations on many aspects of the global economy.

The Reagan Administration has devoted much of its time to the implementation of policies and programs resulting from a re-examination of US relations with developing countries, including the role of the multilateral development banks, Congressional approval for the first Foreign Assistance Act in three years, and a major foreign policy initiative in the Caribbean Basin. The US urged last year and will urge again this year that summit countries consider the interplay of interdependent and diverse interests among developing countries and among these countries and the summit participants. We recall some specific suggestions for the summit declaration which were designed to invite cooperation and to foster the more extensive participation of developing countries in an increasingly open and stable international economic system. This year's declaration should recognize the accomplishments of the past year and foster the beneficial themes which have emerged. Summit participants might consider addressing the concerns of developing countries in each of the major summit themes rather than having a North/South section in the declaration.

LIMITED OFFICIAL USE**DRAFT****VERSAILLES SUMMIT PAPER****Relations with Developing Countries**

Relations with the developing countries ("North/South" affairs) have been an important topic for discussion prior to each economic summit. It is entirely appropriate that the summit countries look outward and consider the effect of their policies on other nations and in particular on the non-OECD countries with which there are relatively few mechanisms for multilateral economic consultations.

Prior to the Ottawa summit in 1981, the personal representatives achieved a new plateau of understanding for our relations with the developing countries. They did not agree on everything, but the personal representatives concluded that industrial countries' efforts to promote growth and price stability are essential for the growth and development of developing countries as well as industrial countries and therefore complement and reinforce aid and other direct contributions. They also concluded that concessional assistance should support market-oriented activities and should lead recipients to eventual self-reliance. According to the report of the personal representatives to the summit (attached at Tab 1), these and their other conclusions "could form the basis for a new and more coherent approach to the developing countries."

In preparing for the Versailles summit, it is important that we build on the plateau achieved at Ottawa. We must also take into account new circumstances which have come about in the past year.

The major change of the past year has been the rethinking of old concepts of economic cooperation for development. This has been forced in part by the recession and other well-known economic difficulties. It has become clear, for example, that massive increases in the transfer of official resources are clearly impossible, however much we might want to increase concessional flows for the less fortunate peoples of the world. Individual countries willing and able to increase concessional assistance should be given credit for doing so, but it is clearly inappropriate for the summit countries as a whole to continue to profess that their aid is increasing and thereby to create the false expectation that certain categories of developing countries may be saved from having to take difficult measures of their own if they are to realize their growth and development objectives.

Rethinking is also taking place because of recent changes in the environment of relations between industrial and developing countries. There have been a number of important expressions of this rethinking in the past year:

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Two notable examples are the speech of the World Bank President, Mr. A.W. Clausen, on "Global interdependence in the 1980s" in Tokyo on January 13, 1982, and the speech of the OECD Secretary General, Mr. Emile van Lennep, on "The role of markets and government in relations between developed and developing countries" in Rotterdam on November 26, 1981. Both speeches describe the recent evolution of the world economy. Mr. Clausen's discusses the diminished utility of the "North/South" model and proposes that a dynamic and evolving world economy must be seen as consisting of at least eight discernable poles of high economic significance. Mr. van Lennep's discusses some implications of the changing world economy for international cooperation.

There also appears to be a new seriousness of purpose on the part of governments and to an emerging consensus that neither increasing foreign aid nor any likely restructuring of the international economic system is a panacea for the problems of developing countries. The governments of developing countries seem, in general, to be increasingly willing to accept the lessons of the past -- that their own resources, efforts, and policies are far more important determinates of development than assistance from foreign governments. Many developing countries are learning to appreciate the role of the private sector and are revising their policies in order to attract foreign private investment and technology.

In the area of multilateral economic consultations and negotiations, developing countries also appear to have a more realistic attitude toward the results of multilateral economic consultations and negotiations. While the New International Economic Order rhetoric is maintained, its tone is muted, and governments seem more willing to work together on specialized issues in different fora.

One example is the Caracas conference on economic cooperation among developing countries and the New Delhi consultations. ECDC has not yet had many specific results, but the recent activity is evidence of developing countries' new receptivity to the ideas of self-reliance, pragmatism, and specialized conferences.

In many ways, the Cancun summit also symbolized a new attitude on the part of developing countries. There was a brief but productive exchange of views at Cancun at the highest political level on some of the most important global problems in the areas of food, trade, energy, and finance. All participants proved willing to search cooperatively for pragmatic and mutually beneficial solutions to common problems. A task for all governments -- and certainly for the seven economic summit countries -- is to ensure that this "spirit" becomes the norm whenever international consultations and negotiations take place.

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The Cancun summit also confirmed "the desirability of supporting at the United Nations, with a sense of urgency, a consensus to launch global negotiations on a basis to be mutually agreed and in circumstances offering the prospect of meaningful progress." Global negotiations could be beneficial under the right conditions, but it would be wrong for the Versailles summit to give credence to the proposition that many problems are going to be solved through negotiation in a centralized forum. It would be far more important for the summit to foster the new pragmatism and to encourage the "spirit" of Cancun to take hold in a multiplicity of general and specialized fora.

In parallel with the rethinking of alternative approaches to development and new forms of international cooperation, work has gone forward in the specialized fora of the UN system and elsewhere. Within the past year there were major UN conferences on the least developed countries and on new and renewable sources of energy. The International Fund for Agricultural Development and the African Development Fund were replenished and the Food Aid Convention extended. The IMF broadened the Compensatory Financing Facility to provide assistance to members experiencing balance of payments difficulty arising from temporary increases in the cost of cereal imports. The World Bank substantially increased the commitment of resources to the energy sector. Preparations are well underway for a ministerial meeting of the General Agreement on Tariffs and Trade. In the Caribbean Basin, the U.S. has agreed to use a variety of trade, aid, and investment measures to help establish the basis for rapid economic growth and political stability, and three other countries have agreed to increase their aid.

In the UN General Assembly, the summit countries have fulfilled our Cancun promise to support with a sense of urgency a consensus to launch global negotiations. We have stated our concerns very clearly, and it is now up to the developing countries to decide how badly they want global negotiations. If they lack enough unity to make such a decision or if interest in global negotiations has waned on their part, it is not for us to make more compromises to bring about something which we did not propose in the first place and which would not necessarily be in our interest to pursue. They, not we, are the demandeur.

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As part of the preparations for the Versailles summit, we should ask ourselves if, in lieu of global negotiations, there are other fora which would be appropriate for increased consultations and cooperation with developing countries. The key word here is "consultations" which is much different from "negotiations." In a world of ever increasing complexity and economic interdependence, it would be difficult to deny the need for finding new means for international consultation. The growth and development of certain developing countries have made them important factors in the global economy -- or in certain sectors. There are some effective means for consultations with such countries, e.g. the GATT Consultative Group of 18, but we need to bring such developing countries into a system of consultations on many aspects of the global economy.

Prior to the Ottawa summit, the United States presented a paper (at Tab 2) outlining some of the results of its own reexamination of relations with developing countries. This was one of the first products of the Reagan Administration in this important area of foreign economic policy. During the remainder of 1981, the President and members of his cabinet delivered at least five important foreign policy statements on the subject of relations with developing countries. Much of their time was devoted to the implementation of policies and programs resulting from the initial reexamination: They commissioned a thorough reassessment of the US role in the multilateral development banks. They made a successful effort to win Congressional approval for the first Foreign Assistance Act in three years. They took a major foreign policy initiative in the Caribbean Basin. And they made a variety of decisions involving the role of the private sector in international development. Attached (at Tab 3) is a list of actions over the past year in the area of international cooperation for development. The list focuses on the policies and actions of the US Government, but many of the actions listed were also taken by other summit governments, and some were paralleled by different but equally beneficial actions of other countries.

The US paper urged last year that summit countries take a comprehensive view of the "North/South" situation and consider the interplay of interdependent and diverse interests. It also sought to draw lessons from the development experiences of different developing countries and to summarize the accomplishments of international development cooperation over the last two decades. Our paper ended with some specific suggestions for the summit declaration, which were designed to invite cooperation rather than confrontation and to foster the more extensive participation of developing countries in an increasingly open and stable international economic system.

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Attached (at Tab 4) is an comparative table of language from the "North/South" portions of the last four summit declarations. The table reveals that the same issues tend to be selected year after year and that a main function of the preparatory process seems to be finding new language to express old ideas. The declarations seem by and large to have failed to deflate outworn concepts and to inspire new thinking about the relationship of industrial and developing countries. In preparing the draft declaration for the Versailles summit, we will undoubtedly have to devote sentences to some of the traditional issues, but a new effort should be made to recognize the accomplishments of the past year and to foster the beneficial themes which have emerged in the past year from the rethinking of relations between industrial and developing countries.

A drafting the declaration, we should also consider whether it is appropriate to continue to segregate "North/South" affairs from other summit topics, e.g. macro-economics, energy, trade, and monetary policy. This practice tends to obscure the fact that consideration of non-summit countries is vital to summit discussions of each and every topic. It tends to make developing countries something summit participants talk about only if time remains after more important issues. It tends to make us think of the world as divided into two (and only two) competitive and mutually exclusive blocs. Embodiment of this practice in the summit declarations sends the wrong signals to the world. We might show more respect for developing countries if it were seen that the economic summits considered their needs and their importance to us automatically and constantly across all summit topics and did not treat them as qualitatively different from industrial countries.

Attachments

1. Report of personal representatives to [the Ottawa] summit - North/South issues, (July 1981)
2. Ottawa summit paper [submitted by the US Government] - Industrial and developing countries: A framework for meaningful cooperation, (April 1981)
3. International cooperation for development: Recent US actions, (as of March 1982)
4. Comparative table of language pertaining to relations with developing countries from annual economic summit declarations, (1978-1981)

(Attachments
not included)

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